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SUBJECT: THAILAND: DEPUTY SECRETARY ZOELLICK'S MAY 4, 2005
MEETING WITH FM KANTHATI

Classified By: Ambassador Ralph L. Boyce. Reason: 1.5 (b,d)

11. (C) Summary: On May 4, 2005 Deputy Secretary Zoellick met with Thai Foreign Minister Kanthati Suphamongkhon at the Ministry of Foreign Affairs (MFA). In an 80-minute exchange, they covered key areas for inclusion in the Free Trade Agreement (FTA) negotiations, Thai endorsement of the Proliferation Security Initiative (PSI) Statement of Principles (SOP), the Thai interceptor aircraft purchase and the F-16, the insurgency in southern Thailand, and Burma (including the ASEAN Chair issue). They also briefly discussed Indonesia, the East Asia Summit (EAS), China, Japan, North Korea, shrimp, avian flu and tsunami relief. End Summary.

12. (SBU) Deputy Secretary Zoellick congratulated FM Kanthati on his appointment as foreign minister and noted that close U.S.-Thai cooperation on delivering regional humanitarian assistance in the aftermath of the tsunami had strengthened bilateral ties. He said that the start of the second terms of President Bush and Prime Minister Thaksin was a good time to exchange views on key issues and move forward.

FREE TRADE AGREEMENT

13. (C) The Deputy Secretary said that a Free Trade Agreement (FTA) was one important legacy that could be achieved as both leaders looked towards the coming several years. He recalled that on his last visit to Thailand as USTR, PM Thaksin had made time while in the hospital for him and they had launched discussions on an FTA. It was natural that elections had slowed momentum a bit, but given the strong history of friendship and partnership of the two countries, and with strong leadership now in place, an opportunity for renewed impetus presented itself. The U.S. would like to conclude a comprehensive, gold-standard FTA which, experience had shown, would send a signal to investors and traders. Such an FTA could give an additional push for growth and development in Thailand.

14. (C) The Deputy Secretary reviewed four sets of issues that he planned to raise with PM Thaksin. He hoped there would soon be new instructions to Ambassador Nitya Pibunsongkram, the Thai FTA negotiator, to work on with new USTR Rob Portman. The four areas were: Financial Services; Services and Investment; Intellectual Property Rights (IPR); and Environment and Labor. For each area, he noted awareness of Thai sensitivities but explained the advantages that Singapore and others had gained after taking on similar commitments. The Deputy Secretary emphasized that upcoming fourth round of FTA discussions in Montana, the home state of Democratic Senator Baucus, Ranking Member of the Senate Finance Committee, was an opportunity to garner political support if the session went well. He also expressed pleasure that the Small and Medium Enterprise (SME) sector was being drawn into the talks. The Deputy Secretary said he was aware of discussions about a Science and Technology accord and agreement to work on an Open Skies agreement. He said he hoped, together with the Prime Minister, to get the FTA back on track and to combine it with these other areas of cooperation into a good package.

15. (C) FM Kanthati responded that the Deputy Secretary's points on the FTA were very much on Thai minds. He said that the perception in the general public was that in negotiations with a major power, Thailand would lose out. The RTG, he said, had moved beyond the public mindset, but its experience in dealing with Peru showed how powerful perceptions can be. The Peruvian public had looked on Thailand as the "major power" in that encounter. Kanthati added, however, that Thailand had "no problem" in principle with the notion of a comprehensive FTA. In FTA negotiations with China, Thailand had chosen an "early harvest" approach concentrating on fruits and vegetables but was looking at a more comprehensive agreement with China as well.

16. (C) Kanthati confirmed that the banking industry is concerned about the impact of opening Thai financial services to competition. He noted that the Finance Ministry would be involved in the next FTA round and opined that the

discussions "should move ahead." On IPR, Kanthati said there was public concern that an FTA would increase the price of pharmaceuticals and reduce access to medicine, especially for drugs to treat HIV/AIDS and similar diseases. In general, however, Thailand shared U.S. views on IPR and the need to protect knowledge-based industries. Thai musicians, for example, had to be protected from IPR violations, and the government would like to see more Thai brands gain international recognition. Kanthati said that involving SME also fit well with what PM Thaksin had in mind and that Thailand would welcome the chance to work with U.S. national and state authorities to establish direct links with different U.S. states in this area.

17. (SBU) Overall, Kanthati said, Thailand is faced with strong domestic hesitation about FTA, but Ambassador Nitya was doing a good job negotiating with the U.S. and explaining back home what he was doing. The RTG wanted and needed a successful FTA, but he emphasized that it must result "not only in free trade but fair trade." Kanthati noted that if aspects of the FTA impact on Thai laws, it will have to be reviewed and approved by the Thai Parliament.

18. (C) The Deputy Secretary said that one of his key aims was to address public attitudes and sensitivities on both sides. Fair trade was a theme for many in the U.S. too. There was concern about competition from Thai small truck manufacturers, for example. Regarding access to medicines, the important point was that nothing in our FTAs lessens the commitments made in WTO/TRIPS, including the access to medicines commitment made in August 2003. It might be possible to amplify this point in a side letter, as we had done in other FTAs.

PROLIFERATION SECURITY INITIATIVE (PSI)

19. (C) The Deputy Secretary expressed appreciation for Thailand's strong cooperation on counter-terrorism and urged the RTG to endorse the PSI Statement of Principles (SOP), emphasizing that it did not obligate Thailand to do anything but would set in place the framework for Thailand to participate with us and others in PSI activities. He outlined the importance of maritime security in Asia and pointed out that North Korea had a history of transporting WMD components on the region's waters. Kanthati said that the RTG shared U.S. concerns about WMD and was in the process of seeking Cabinet approval of the PSI SOP.
IRAQ

110. (C) The Deputy Secretary reviewed recent developments in Iraq and underscored that 2005 is a key year for its future. The Deputy Secretary provided an account of his recent visit to Baghdad and Falluja and discussed formation of the new Iraqi leadership, the positive signs of democratic politics in action there, progress in Iraqi capabilities to combat the insurgency, and the staying power of the Iraqi government. He said that the U.S. and EU would convene a conference on June 22 to consider further support for Iraq and suggested that might be an opportunity for ASEAN and others in Asia to engage as well. The Deputy Secretary thanked Kanthati for Thailand's military support of Operation Iraqi Freedom (OIF), and raised the letter sent by CJCS General Myers asking Thailand to contribute staff officers to man the OIF multinational headquarters.

111. (C) Kanthati did not respond directly to the matter of CJCS Myers' request. He said that Thailand had been pleased to send military engineers and medical personnel to Iraq to help with humanitarian assistance and continued to think about humanitarian support. One factor, he said, was making sure that any Thai action did not have a negative impact on the Muslim separatist violence in Thailand's South. He said that Thailand wants to help and is willing to invite Iraqis to train in Thailand. (Note: He was not specific about the type of training. End Note.)

F-16 PURCHASE

112. (SBU) The Deputy Secretary urged that Thailand favorably consider Lockheed Martin's proposal to sell F-16s, noting the firm's readiness to include a counter trade offer as part of its bid. He stressed the value of interoperability; the F-16, alone among the competing aircraft, could ensure that allied air forces would be able to connect and communicate.

113. (SBU) Kanthati said that with the end of the Cold War and the collapse of the Soviet Union, Sweden and Russia were eager to be competitive in sales of their aircraft. The Thai defense establishment was responsible for weighing the options. Sweden and Russia were willing to offer barter deals involving items such as Thai chicken, a high priority of PM Thaksin, who was concerned about Thailand's current account situation. Kanthati said that Thailand had questions about the Lockheed Martin offer of offsets, because it was difficult to price the value of offsets. He suggested that

U.S. interest in Thai chicken would be important to the final recommendation by Defense. He closed by noting that the competition was still open.

SOUTHERN THAILAND

14. (SBU) The Deputy Secretary said he was aware that PM Thaksin had established a National Reconciliation Committee (NRC) to address the separatist insurgency in the South. He said that this seemed like an appropriate initiative and asked FM Kanthathi for his views on the South.

15. (SBU) Kanthathi said there are grounds for optimism. The RTG was listening to all sides and convoked an almost unprecedented joint session of Parliament for extensive discussions. PM Thaksin was deeply engaged. The problem, Kanthathi said, was not religion. Certain groups were "pulling down" (i.e. exploiting) religion and attracting innocents to their cause. The RTG recently invited the Chairman of the Indonesian moderate Islamic group, Nahdlatul Ulama (NU), to visit the South and, after talking to 1000 people, he also had concluded that religion was being used to mask other activities. The RTG was determined to win back support by following due process of law and transparency after past incidents of abuses by local military and police had alienated many Muslims. Anand Panyarachun, the head of the NRC, was respected throughout Thailand for being open, transparent and fair. His involvement added another positive dimension to the RTG southern policy. Kanthathi said that he recently accompanied PM Thaksin to Jordan and King Abdullah had explained that most Muslims are moderate. The RTG believed the same was true in southern Thailand and wanted to focus on education, use due process to clear up old local abuses, and make ethnic Malay Thai Muslims feel that Thailand is their home. This will take time, and complications from score settling and involvement by drug smugglers have to be overcome, but the violence can be ended, Kanthathi said.

BURMA

16. (C) The Deputy Secretary asked for Kanthathi's sense of regional positions on Burma and said that Burma's assumption of the ASEAN Chair in 2006 would reduce the U.S. ability to engage with ASEAN in ways that we would like to and that would advance common interests.

17. (C) Kanthathi said that Thailand continued to share the U.S. goal of wanting democratization in Burma as soon as possible. To that end, he had recently engaged in consultations with Burmese Foreign Minister Nyan Win and others to explain the international community's concerns and, keeping in mind that the two countries shared a 2400 kilometer border, to stress that Thailand wanted change. Kanthathi said that Nyan Win had responded that an early release of Aung San Suu Kyi would create problems for the Burmese national reconciliation process. The Burmese said release would have to wait until after the SPDC resumed the National Convention in November to finish drafting a new constitution and had held a referendum on the constitution. Kanthathi said that he pushed for a quicker resumption of the National Convention, but Nyan Win seemed firm on November. There was also, he noted, continuing competition between SPDC leaders Than Shwe and Maung Aye for influence that impacted on the pace of reconciliation.

18. (C) Kanthathi said that he had also raised concerns about Burma assuming the ASEAN Chairmanship. He claimed that Nyan Win had responded that ASEAN unity was more important than Rangoon's interests and that Burma won't detract from that. Kanthathi said that the Burmese privately expressed willingness to postpone assumption of the chairmanship. Kanthathi said he told Nyan Win that timing was a factor, and that ASEAN will try to make it appear that passing up the ASEAN chair was a Burmese initiative. Kanthathi said he advised the Burmese FM that an early announcement would be best and Nyan Win had proposed July, although other Burmese still wanted to wait until the ASEAN Kuala Lumpur Summit at the end of the year.

19. (C) The Deputy Secretary expressed appreciation for Thai efforts on Burma but was nevertheless concerned about Thailand's reputation. Some may see Thailand as too accommodating to the thugs in Rangoon. Kanthathi said he hoped that the Deputy Secretary would help explain the actual situation and clear up misunderstandings. He said he was open to consultations with anyone about Burma.

SHORT TAKES ON INDONESIA, EAST ASIA SUMMIT, CHINA, JAPAN, NORTH KOREA, ETC.

20. (C) The Deputy Secretary asked Kanthathi for his views on regional issues. Kanthathi said that he had recently visited Jakarta and believed that the new government was successfully consolidating itself, although problems with Aceh continue. He noted that Thailand had taken into custody five heavily-armed Indonesians aboard a vessel off southern

Thailand, but the Indonesians had suggested that the detainees were more likely to be tied in to the Aceh conflict than the Thai South. Kanthati said Indonesia was concerned about its ability to police the Malacca Strait and wanted help with capacity-building for that task.

121. (SBU) Kanthati said that Thailand supported the "inclusive" approach to the East Asia Summit (EAS). He met recently with ASEAN counterparts in the Philippines, he said, and they agreed that countries should be invited if they: 1) had substantial relations with ASEAN; 2) were ASEAN dialogue partners; and, 3) supported the Treaty of Amity and Cooperation. He mentioned that New Zealand would probably join EAS and that the question of Australia was being weighed. The Deputy Secretary said that a more open and inclusive EAS made more sense. Thailand could play a central role.

122. (SBU) Kanthati said that Thailand looked at China as an increasingly formidable player in the region with which the RTG wanted closer ties as an economic partner. It regarded Japan in much the same way, and had found the recent tension between Japan and China unsettling. He said that it had been noticed that Japan had been strongly demanding an apology from China over the anti-Japanese demonstrations and then, suddenly, it was Japan which had apologized.

123. (SBU) Kanthati also stated that the Thai government, and he personally, would be happy to help on the Korean Peninsula issues, given Thailand's diplomatic relations with Pyongyang.

124. (SBU) Kanthati asked for an update on the issue of Thai shrimp and U.S. anti-dumping investigations. The Deputy Secretary said that the ITC had agreed to examine the issue

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of changed circumstances in light of the tsunami. Its investigation would proceed in an open and transparent process that would play out in the coming weeks/months.

25 (SBU) The Deputy Secretary noted the importance of working closely with Thailand on avian influenza. There was a need for early identification, accurate information, and transparency because, otherwise, the situation with the disease could quickly get nasty. He also noted again how pleased and proud the U.S. was to have worked with Thailand on tsunami relief and how important that cooperation had been to Aceh in particular. In addition to official USG assistance, the Deputy Secretary noted about USD 1.2 billion had been raised privately in the U.S. for tsunami recovery. Former President Clinton was expected to visit the region soon.

126. (U) Participants: In this meeting, Deputy Secretary Zoellick was accompanied by Ambassador Boyce, EAP DAS Marie Huhtala, D Executive Assistant Ross Wilson, PA Deputy Spokesman Joseph Adam Ereli, D Special Assistant for EAP Chris Castro, D Special Assistant for Outreach and Public Affairs Christine Davies, D Personal Assistant Lisa Martilotta, Embassy Bangkok Economic Counselor Mike Delaney, and Political Counselor Bob Clarke (notetaker). In addition to FM Kanthati, MFA Deputy Minister Preecha Laohapongchana, Advisors to the FM Dr. Pracha Guna-Kasem and Mrs. Sally Jutabha, MFA Deputy Permanent Secretary Pisan Manawapat, Americas Director-General Nongnuth Phetcharatana, Spokesman Sihask Phuanketkeow, and East Asian Affairs Director General Director-General Nopadol Gunavibool sat in on the Thai side.

127. (U) This cable has been reviewed by the Office of the Deputy Secretary.
ARVIZU